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# China Report

ECONOMIC AFFAIRS

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## CHINA REPORT ECONOMIC AFFAIRS

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### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### NATIONAL POLICY AND ISSUES

Western-Style Economic Development Strategy Not Suited to China (Lin Zixin; LIAOWANG, 20 Aug 81) .....	1
Tong Dalin Outlines New Research Tasks (Tong Dalin; LIAOWANG, 20 Aug 81) .....	4
U.S. Economic Development Forum Deepens Chinese Economist's Understanding (Dong Fureng; LIAOWANG, 20 Aug 81) .....	7
Nei Monggol Receives Preferential Treatment From State (Nei Monggol Regional Service, 29 Nov 81) .....	10

##### ECONOMIC PLANNING

Briefs Heilongjiang Metallurgical Enterprises .....	11
--	----

##### FINANCE AND BANKING

Use of Circulating Funds by Industrial Enterprises Discussed (Feng Zhongying, Tan Shucheng; ZHONGGUO JINGRONG, 4 Oct 81) .....	12
Unhealthy Tendencies in Banking Exposed (Hua Nan; ZHONGGUO JINRONG, 4 Oct 81) .....	16
Briefs Nei Monggol Revenue .....	17
Henan Fulfills Revenue Quotas .....	17

## MINERAL RESOURCES

### Briefs

Xinjiang Salt Production	18
Xinjiang Increases Gold Production	18
Sichuan Gold Production	18
Xinjiang Metals	18

## INDUSTRY

Jilin Conference Urges Increased Production (Jilin Provincial Service, 27 Nov 81) .....	19
--	----

### Briefs

Shaanxi Prefecture Industrial Output	21
Shanxi Industrial Production	21
Beijing Steel Production	21
Nei Monggol Industrial Output	22
Heilongjiang Industrial Output	22
Hubei Industrial Production	22

## CONSTRUCTION

'JINGJI YANJIU' Discusses Capital Construction (Liang Wensen, Tian Jianghai; JINGJI YANJIU, 20 Oct 81) ...	23
---	----

### Briefs

Kunming Urban Construction Meeting	29
Shenyang Underground Passage	29

## DOMESTIC TRADE

### Briefs

Liaoning Scrap Materials	30
Heilongjiang Price Readjustment	30
Guangdong Inspecting Market Prices	30

## FOREIGN TRADE

Prospects of Foreign Trade in 1980's Studied (Xu Ziangquan; GUOJI MAOYI WENTI, No 3, 1981) .....	31
Thirty Member Team Investigates Guangdong Special Economic Zones (Zeng Muye; YANGCHENG WANBAO, 30 Sep 81) .....	37
Guangzhou Not Making Full Use of Zhuhai Special Economic Zone (GUANGZHOU RIBAO, 29 Sep 81) .....	40

Briefs		
	Guangdong Foreign Trade	42
	Shandong Pig Iron Exports	42
	Tourists in Shanghai	42
	Shaanxi Promotes Exports	42
	Guangdong Foreign Trade	43
LABOR AND WAGES		
Briefs		
	Sichuan Employment Task	44
TRANSPORTATION		
Briefs		
	Fujian Airport Expansion	45
	Sichuan Passenger Transport	45
	Liaoning Aviation Personnel	45
GENERAL		
	Experiments in Economic Responsibility System Reported (Wan Dianwu, Zhang Caiqing; ZHONGGUO CAIMAO BAO, 29 Sep 81)	46
	Guangzhou Holds Advertising Forum (Lu Yongjiang; GUANGZHOU RIBAO, 7 Oct 81) .....	50
Briefs		
	Xinjiang Personnel Bureau Meeting	52
	Shaanxi Model Workers Rally	52
	Beijing Circular Banning Malpractices	52
	Henan Finance Conference	53

## NATIONAL POLICY AND ISSUES

### WESTERN-STYLE ECONOMIC DEVELOPMENT STRATEGY NOT SUITED TO CHINA

Beijing LIAOWANG in Chinese No 5, 20 Aug 81 pp 23-24

[Article by Lin Zixin [2561 5261 2450], Director, Chinese Scientific and Technical Information Institute, "Studying a Chinese-Style Development Strategy"]

[Text] For a long period of time, the economically developed nations of the world have taken maximizing the increase in GNP as the objective of economic development. This traditional development strategy demands centralized production. This kind of production has two characteristics: one is the concentration of funds, energy resources, resources and technology, and the other is economizing on labor power. Because of this, this development strategy is one of wasteful extraction and utilization of energy and resources. The population of the United States is less than 6% of the world's total, yet that nation consumes 40% of the world's resources each year. If the energy-intensive methods of agricultural production adopted in the United States were spread throughout the world, the globe's entire reserves of fossil fuels such as petroleum, coal and natural gas would be used up within a dozen or so years. It is quite apparent that the world's resources make it very difficult to maintain this kind of a development strategy for a long time.

In reality, in the 30 years in which the developing countries have carried out this traditional development strategy, only a handful of countries and regions have performed miracles. The majority not only failed to reach their objectives, but the disparity between them and the developed countries has continued to enlarge with time. The era of low-priced energy resources which the developed countries relied on to develop has gone forever. With their capital fund paucity and labor power abundance, it will be most difficult for the developing countries to attain the capital-intensive labor-saving production of the developed countries. For this reason, an increasing number of people feel that the presently developing countries cannot go along the old path of the western developed countries.

Besides this, the developed countries and those developing countries which have adopted this traditional strategy have numerous other social maladies:



for example, the increase in criminal activities and indifference in relations between people that have been brought about by marked disparities between rich and poor and unequal distribution. Some people abroad feel that one cannot view development as economic alone, much less equate it with the growth in GNP, and that development should be viewed as human development in order to make the satisfaction of basic needs the primary objective of development. This includes material needs such as food, housing, clothing and medical care as well as intangibles such as culture, education, a feeling of security and individual dignity.

Ours is a socialist country. When we consider a national development strategy we should persist in taking as our main objectives the elimination of exploitation, the elimination of the three major differences, and the greatest possible satisfaction of the continuously increasing material cultural livelihood needs of the people. We must provide more consumption goods for the people. We must look at more than China's large population and weak economic base and see a bit farther seriously to estimate China's natural conditions and the bearing capacity of our resources. On this basis, we should study China's consumption structure: What kind of consumption goods should be supplied? How should the consumption of the masses be directed? For example, at present everyone knows that China cannot develop as many small cars as the United States or Japan.

Another problem in development strategy is how to develop thoroughly China's advantage of numerous human resources. Labor power and the wisdom and knowledge of people is a most important resource which can circulate continuously, but this resource can only be brought into full play through labor. Here we must first of all pay thorough attention to the problem of employment. Both our long-term and short-term plans should taken into consideration the problem of how to create more employment opportunities. This means that we must do research on the structure of employment. For example, the acceleration of the development of service industries is very much deserving of study.

Furthermore, science and technology is a necessary and important element in the development of the economy and society. However, science and technology can only be brought into full play when it is coordinated with the development of the economy and society. Production technology is a direct force of production. We must place particular stress on the research and development of production technologies which are energy and resource saving, which provide more employment opportunities and which can increase the goods for daily necessities as well as improve the income of the people. Internationally this kind of technology is called "applied technology." Many people feel that the development of this new kind of technology is an important avenue to solving many serious problems now faced by the world such as the rapid growth of the population, the energy crisis, resource exhaustion and environmental degradation.

Research on rural development strategy is particularly important for our country with its 1.0 billion population and 800 million peasants. We must

definitely strive to build new rural villages in order to raise the level of material and cultural life of the peasants. We cannot do like some developing countries with abnormal urban development producing disastrous results. Of course, we must absorb the plentiful labor power of China's villages, continue to increase grain production on our limited cultivated land and allow the living standards of the vast numbers of rural people to increase progressively. This is a most arduous task.

11723

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## NATIONAL POLICY AND ISSUES

### TONG DALIN OUTLINES NEW RESEARCH TASKS

Beijing LIAOWANG in Chinese No 5, 20 Aug 81 pp 22-23

[Article by Tong Dalin [4547 1129 2651], Vice-Chairman of the State Scientific Commission; "New Topics for Strategic Research"]

[Text] A strategic discussion on economic and social development is unfolding in China's academic, economic and scientific circles. This is another discussion bearing enormous significance following on the others of the past 3 or 4 years on the theory and practice of the socialist economy, covering questions of distribution according to labor, the theory of production forces, the objectives of production and the commodity economy. Now several new topics have cropped up in the course of developing strategic research, and it seems we shall have to intensify our focus on their investigation.

First, how can we make the strategic objectives concrete?

International economics circles have expressed numerous opinions on how developing countries should treat their traditional development strategies and how they should adopt new strategies to replace them. In my opinion, the development strategy of our socialist nation should be based on the continuous growth in GNP so as to satisfy gradually the material and cultural needs of the people. The traditional development strategy of the developed countries of the west concentrated exclusively on the rate of growth of GNP, but because of differences in economic structure, the degree to which problems of social livelihood have been solved and the distribution of social wealth, there are marked differences in the degree to which the basic needs of the people are satisfied. The basic objective of our building socialism is to satisfy the basic needs of the entire people and progressively raise their levels of material well-being and culture. To attain this objective it is first of all necessary to develop the social forces of production and cause the GNP to grow continuously at a certain rate.

The Central Committee has proposed that we strive to achieve a GNP per capita of \$1,000 by the year 2000. If we calculate on the basis of a population in that year of 1.2 billion, the GNP would be \$1.2 trillion. But how big

should the shares of agriculture, industry and other producing sectors be in this? For example, in 1980 agriculture occupied 25 percent of total industrial and agricultural output value. This share should increase by 1990 and 2000. This provides a concrete strategic objective for determining the development of China's agricultural development.

In the area of satisfying the basic needs of all the people we should also proceed from the realities of China's social conditions and the consumption patterns of our people in carrying out detailed scientific surveys of clothing, food, housing, activities, expenditures, education, health and the like so as to establish specific projects and objectives. Only on this basis can we draw up long-term plans for economic and social development and carry out necessary readjustments in the social and economic structures.

Second, can we carry out a rational readjustment of China's economic and social structures according to the concept of three sectors of production?

The appearance of the concept of the three sectors of production is a reflection of the continuous progress in human economic and social livelihood. After the primary sector--agriculture and mining, and the secondary sector--processing and manufacturing industry, have been formed, the increasingly refined division of labor in production leads to the socialization of many things which originally were done within a productive enterprise. Increasingly people's consumption and household labor also become socialized, commodity circulation becomes daily more developed and many kinds of mental labor gradually turns into productive labor which creates value. Because of these factors, numerous new productive enterprises have appeared which, taken together, we call tertiary industry. In the past we only looked upon agriculture and light and heavy industry as sectors of material production and treated the majority of tertiary industries as social consumption sectors. This led to a serious abnormality in economic planning arrangements and in actual daily life. It seems that in the future we must make totally rational arrangements according to the interrelationships and balanced development of tertiary industry. Of course, we still have to study seriously the specific characteristics of China's tertiary industries, their scope, scale and degree of socialism.

Third, what strategic position should science, technology and education have and how can their development be accelerated?

In the future, the development of China's national economy will rely in the main on the technical improvement of the existing enterprises of each productive sector. No economic sector or enterprise can speak of development and progress without adopting appropriate advanced technology and relying on scientific technology. Economic and social development must be linked to the development of science and technology for there to be a development strategy for the entire economy. In the past because China's economic system lacked market regulation and necessary competition, many enterprises were not

eager to adopt new technology. Therefore, the reform of the economic system and the readjustment of economic policy are necessary to speed up the development of science and technology.

Education is the key link in intellectual development. China has great human resources. If we develop them intellectually, we can gradually turn China's "liability" of a numerous population into an advantage in rich human resources, and make mental labor play a greater role in the entire productive labor process. Besides strengthening professional technical training, the future development of school education must study how to raise the quality of primary education, increase the proportion of education in middle-level specialized technology, open up the paths to study and accelerate the development of higher education.

Fourth, on the basis of social ownership, how it is appropriate to develop diverse modes of management?

In the past one or two years, based on socialist ownership, there have been numerous creations in management modes. In the villages, various forms of responsibility systems linking remuneration with output, particularly the development of contracting production to the household and contracting work to the household, have greatly aroused the enthusiasm of the peasants and wrought an enormous transformation in agricultural production. This has presented a new topic to theorists: How can large socialized production be carried out in the villages in the future? How, under the conditions of guaranteeing individual operation, do we carry out new unions with various forms? In the cities, will new joint enterprises appear in the wake of the development of small-scale individually operated service trades? There is increasingly immediate significance to research on the trends and future path of development of various different forms of management on the base of a socialist ownership system and on their role in the entire economy and society.

11723

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## NATIONAL POLICY AND ISSUES

### U.S. ECONOMIC DEVELOPMENT FORUM DEEPENS CHINESE ECONOMIST'S UNDERSTANDING

Beijing LIAOWANG in Chinese No 5, 20 Aug 81 p 23

[Article by Dong Fureng [5516 6634 4356], Deputy Director, Economic Institute, Chinese Academy of Social Sciences: "On Economic Development Strategy"]

[Text] Last November, several comrades and I attended a "China-U.S. Forum on the Choice of Economic Development Strategies" in the United States, where we discussed the problems of economic development strategies in China and some other developing countries.

The choice of an economic development strategy is a problem which each developing country must encounter and resolve in the course of devising strategies for its economic development. Broadly speaking, there are two distinct but interrelated questions: (1) the choice of the objectives of an economic development strategy; and (2) the choice of a development path for realizing the objectives chosen. Every developing country faces common problems in its economy, such as poverty, low levels of education, capital shortage, shortage in scientific and technical capabilities, poor business management, enormous disparities between city and countryside, rapid population growth, poor hygiene and employment difficulties. These commonalities ensure that when each developing nation selects its economic development strategy, there are some places where they can refer to each other. However, each developing country must each also consider some particularistic problems in developing its economy, such as the historical traditions of different social systems, different physical environments and resource conditions, different geographical areas, different size populations and different levels of economic development. These particularities ensure that each developing country must select an economic development strategy which is in keeping with its own national conditions. In other words, while the development objectives may be the same, the paths to realizing these objectives should be different.

In the process of attending the forum, I thought many times how in the past we stressed the significance of the social system in the choice of an economic development strategy. Of course this was correct, but we often neglected the fact that there is much in the choice of economic development strategies by developing countries with different social systems which we could draw upon



(for example, we have much to learn from the poor results that have been obtained by some developing countries when they make the pursuit of GNP their exclusive objective in their economic development strategy). At the same time, I also thought a number of times on how in the past we often felt, whether consciously or not, that developing countries with the same kind of social system could only carry out the same kind of economic development strategy and neglected the importance of different national characters in choosing a development strategy. From today's viewpoint, countries with the same kind of social system but different national characters may have different development strategies. Indeed, even the same country can adopt different development strategies for different stages of development because of changes in the basic national character. For example, having built up an initial heavy industrial base, the prompt readjustment of China's economic development strategy, for example by elevating the satisfaction of the basic needs of the people to the position of an objective of development strategy or readjusting the proportionate growth between heavy industry on the one hand and light industry and agriculture on the other, can make our country's economic development considerably smoother.

The problem of economic development strategy is extremely complex. There are usually a quite considerable number of objectives which a developing country must realize and contradictions frequently arise between the various objectives in the process of implementation (one example is the contradiction between raising the technical level with increasing employment). This can present difficulties in the selection of objectives within the economic development strategy. At the same time there are difficulties once these objectives have been chosen in selecting the development path to realize them. Because there are usually numerous development paths available to be chosen, there can be enormous disparities in the direct and indirect, short-term and long-term social economic results. In particular, it is not easy to see clearly come indirect, long-term results (one prominent example is the environmental degradation caused by the development of heavy industry). I think that we should recognize that there are no once-and-for-all perfect economic development strategies and that we can only proceed from the basic national characteristics of a country and choose a strategy which, relatively speaking, produces greater results and fewer losses. Moreover, there can be no once-and-for-all choices. In particular it is extremely important to make a prompt readjustment of one's development strategy or change it altogether when the economy is making a transition from one stage of development to another.

At present, China's economic development is in the process of making a great change. By conscientiously studying China's basic national character and seriously summing up the lessons of experience in carrying out past economic development policies, we must earnestly draw up an economic development

strategy for the future in order to open up a new situation for the development of China's economy.

11723

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## NATIONAL POLICY AND ISSUES

### NEI MONGGOL RECEIVES PREFERENTIAL TREATMENT FROM STATE

SK300954 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 29 Nov 81

[Text] According to our sources, the party and state have paid great attention to our region's construction and development. Since the 3d plenary session of the 11th Party Central Committee, the party and state have not only helped the region set right things which had been thrown into disorder, implement the party policy towards nationalities and improve relationships among various nationalities but also vigorously supported the region economically. According to statistics, the state allocated 5 billion jin of grain to the region in 1979, 1980 and 1981 and granted more than 1 billion yuan in subsidies to the region in each of these 3 years. To support the region's construction, the state decided to give the region preferential treatment in circulating funds, in retaining a portion of the profits and in giving transport allowances. The state has also made allowances for the people of various nationalities in the supply of cotton yarn, sewing machines, bicycles and wristwatches.

Our region is a fur-producing place from time immemorial. To meet the needs of our region's people on wearing fur clothes, the state has supplied 35,000 pieces of imported high-grade cattle fur to our region. This year the state allocated 12,000 cubic meters of timber to the region from Changbai Mountain and Xiao Xinganling to make furniture needed by Mongolian people. The state has also paid attention to our region's educational undertakings. In the past 3 years, the state invested some 120 million yuan in developing educational capital construction, including the investments covered by the plan, the flexible funds for minority nationalities and the funds for supporting places that are backward economically--a record in the region over the past 30 years.

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## ECONOMIC PLANNING

### BRIEFS

HEILONGJIANG METALLURGICAL ENTERPRISES--By the end of October, metallurgical enterprises in Heilongjiang Province had handed over to the state 19 million yuan in profits. [SK131150 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 12 Nov 81 SK]

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## FINANCE AND BANKING

### USE OF CIRCULATING FUNDS BY INDUSTRIAL ENTERPRISES DISCUSSED

Beijing ZHONGGUO JINGRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 81 pp 38-39

[Article by Feng Zhongying [7458 0112 5391] and Tan Shucheng [6223 6615 2052] of Tiexi District Office of People's Bank of China in Shenyang Municipality: "There Should Be Treatment for Symptoms As Well As Causes"]

[Text] One of the urgent problems during the current national economic readjustment concerns the reduction of circulating funds to be used by industrial enterprises, the acceleration of the turnaround of funds, and obtaining better results in the use of these funds. We have conducted an analytical study on the use of circulating funds by 110 large and medium-size plants in the Tiexi District of Shenyang Municipality during the past 10 years, and the result of the study and our views are here presented for discussion.

#### Conditions and Changes in the Use of Circulating Funds by Enterprises

The 10 years of circulating fund utilization by these 110 enterprises can be generally divided into the following stages:

The first stage lasted from 1971 to 1973. In these 3 years, people yearned for a normal social order after the serious disruption of the national economy by the "Great Cultural Revolution." It was also the period deprecated by the "gang of four" as a time of "backlash." During this period, the total industrial output value of these 110 enterprises increased by 28 percent; their profits increased by 56.1 percent; the amount of circulating funds required for every 100 yuan's output value decreased by 12.2 percent; and despite a fairly large increase of production, the amount of circulating funds used increased by only 13.1 percent. This was an excellent situation featured by increased production, increased income and decreased expenditure. The change in the use of circulating funds was caused by the upsurge of inventory taking and potential-tapping by the enterprises in response to Chairman Mao's call to clean up the warehouses in 1971. Then in 1972, the State Planning Commission and the Ministry of Finance issued notices on strengthening the control of circulating funds, followed by a nationwide audit of assets and funds. The banks also tightened their credit control and many credit personnel visited the factories and workshops to assist in checking the assets and funds, in taking inventory and tapping potential, and in the disposal of overstocked goods. The enterprises themselves also improved their management of funds, and many financial control institutions, which had been smashed [during the Cultural Revolution] were

reactivated. From 1974 to 1976, however, interference and sabotage by the "gang of four" brought the national economy to the brink of collapse, and some newly reactivated institutions were again destroyed.

In the first 2 years following the smashing of the "gang of four," that is, up to the end of 1978, the serious consequences of the disrupted national economy were not yet fully realized, and the appearance of impractically high targets and excessive demands added to the difficulties of the national economy. During this period, the total industrial output value of these 110 enterprises increased by 10.2 percent; their profits declined by 19 percent; the amount of funds required for every 100 yuan's output value increased by 8.6 percent; and the amount of circulating funds possessed and used increased by 19.8 percent. This was a serious situation as shown by the little increase of output, the large increase of funds used, and the large reduction of profits. Since our country had for a long time relied solely on the regulative role of planning, all raw materials were supplied according to state allocations and all products were distributed by the state under a unified plan. Acquisition of raw materials then became the main concern of enterprise management, and the contradiction between production and supply was mainly responsible for the increase in the use of circulating funds.

Another stage lasted from 1979 to 1980. These were the years of implementation of the policy of national economic readjustment as well as the period of a major change in the use of circulating funds by industrial enterprises. During these years, the total industrial output value of these 110 plants increased by 10.6 percent; the amount of their circulating funds increased by 6.6 percent; and the amount of funds required for every 100 yuan's output value was reduced by 3.5 percent. The large increase of output and small increase of funds were mainly attributed to the efforts of these enterprises in strengthening economic accounting and improving business management during the economic readjustment; and to the bank's implementation of the principle of supporting only the deserving enterprises in loan grants, thereby encouraging them to produce according to market demands and to purchase according to their volume of sales. Thus overstocking was reduced and less circulating funds were tied up. At this stage, the regulative roles of planning and the market were brought into play and it was possible for the means of production to find their way into the market. The enterprises' products, previously under the system of unified distribution by the state were now mainly governed by the regulative role of the market. Instead of the acquisition of raw materials, sales of their products have now become the main concern of enterprise management. The contradiction between production and marketing has become more striking.

From what has been mentioned, we can see that although there were many causes for the increase of circulating funds used by the enterprises, such an increase was mainly decided by the current line, principles and policies of the party and the government; by the system of national economic management--under which the forms of material allocation and product distribution all had an impact on the amount of circulating funds--and by the performances of various economic departments (such as the tight or loose control of bank credit) and the level of enterprise management. Therefore, the problem of excessive possession and use of circulating funds cannot be solved by one department alone. Instead, it calls for the joint efforts of all departments concerned.



## Treatment of the Causes on the Basis of the Treatment of the Symptoms

To change the present irrational possession and use of circulating funds, we are of the opinion that we should treat the symptoms first and then the causes.

1. We must guard the strongholds and expose the contradictions. There are mainly "three strongholds" to be guarded: first, the stronghold of loan extension according to the volume of sales. The banks should not grant any loan to finance the production of goods that have a poor market, because the loans granted must be commensurate with the volume of sales. This procedure will prompt the enterprises to organize their production [of goods] and purchases [of raw materials] in accordance with their sales. Second, there is the stronghold of separate control of funds. All expenses under financial allocation are not covered by bank loans, and all loans previously used to cover such expenses must be redeemed. The bank will no longer advance any funds for capital construction projects, and enterprises whose funds have been tied down in capital construction equipment are not eligible for bank loans. Third, we have the stronghold of planning. Loans must be based on plans, especially the plans for bank credit which basically fit in with the plans for the production and circulation of commodities. Unplanned loans, or loans in excess of the planned figures will affect the normal development of the national economy.

2. We need to clear the channels for circulation of commodities and funds. The normal turnaround of funds in an enterprise can affect, and be affected by, the normal turnaround of funds in other enterprises. At present, a common effort should be made by all concerned to clear the channels of commodity circulation. The goods sold to those enterprises which have already been closed or suspended should be disposed of according to the specific circumstances. If the goods have already been delivered and cannot be paid for by the buyer who no longer has any source of funds, the state should allocate a special fund or direct the bank to grant a special loan to meet this obligation in order that this bad debt will not cause a chain reaction. As for the equipment still used in production, the departments in charge should give clear instructions as to which type of production should be continued and which type should be discontinued. For some special equipment already produced, the departments concerned should clearly stipulate the methods of procurement. The department in charge should procure this equipment under a unified plan, keep it for proper use, and pay for it out of financial allocation or through special loans. Arrangements should also be made to cover the loss incurred in the production of accessory equipment as a result of the suspension of the main engine's operation. Such losses should be compensated for mainly out of state appropriations.

3. We must improve the system of circulating fund control. This is the fundamental method to solve the problem of possession and use of circulating funds, and a treatment of the cause. At present, enterprises are not economically responsible for the amount of circulating funds they use. Nor have the departments in charge any responsibility for the use of circulating funds by the enterprises under them. Such a situation must be changed. Instead of a mere formality, the index of circulating funds must serve as a criterion for evaluating the economic result of a department. The department in charge should be responsible for the use of circulating funds by the enterprises under them. Since the producing enterprises are directly responsible for the use of funds, the effects of such use should be related to the economic

benefits of their workers and staff members. The enterprises practicing economy in the use of circulating funds should be given more funds; and excessive expenditures should be taken out of the retained profits instead of the profits to be handed over to the state. The banks can only exercise their supervision according to established policies over the use of circulating funds by the enterprises, but cannot take over the direct responsibility of the enterprises or the departments in charge of these enterprises. We must rely on the departments in charge to lead the enterprises in mobilizing the masses, and on the spenders of money, themselves, to control their money before we can be sure that the circulating funds are well controlled and properly used.

9511

CSO: 4006/67



## FINANCE AND BANKING

### UNHEALTHY TENDENCIES IN BANKING EXPOSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 81 p 43

[Article by Hua Nan [5478 0589]: "The Unhealthy Tendencies of Banks Must Be Rectified"]

[Text] Along with the rectification of party style, our "bank style" also has continued to improve. However, we should be aware that in some banks or banking institutions, there sometimes is the unhealthy tendency of accepting bribes and extorting commodities or supplies by people taking unfair advantage of their official positions. Some of them even have done this openly. Applications for loans and requests for the settlement of accounts were simply laid aside, but after being treated to a feast, they would attend to these jobs with alacrity. So a feast could make all the difference. During their performance of duty, some people had the audacity to demand certain commodities in tight supply and hinted that if people want some attention from others, they should offer some favors first. Some people extorted commodities overtly or covertly, asked for the "most favored treatment," and made private gains at the state's expense. Even the shortage of subsidiary coins on the market offered certain comrades a "golden opportunity" to make "personal connections." All these may be isolated cases, but their effects are extremely bad. Besides hindering the implementation of the party's monetary policy, they smeared the fair name of the banks. This certainly gives us much food for thought and calls for serious attention.

However, some comrades have never admitted their errors. Feeling perfectly at ease and justified, they have even said: "I bought my things without using the name of the bank or threatening to apply any pressure. How can there be any unhealthy tendency to speak of?" This sounds plausible; but the fact was that if this person had not happened to work in a bank and was not in charge of the work related to the interests of the party he dealt with, would he have been honored as a distinguished guest and given all the preferential treatments?

The party Central Committee has always attached great importance to the rectification of party style, and the 6th Plenary Session of the 11th Party Central Committee further reiterated the need to check unhealthy tendencies. In August, the Central Discipline Inspection Commission issued a notice on "strictly upholding party disciplines to check the unhealthy tendency of 'personal connections' in official business." We hope this will be a good opportunity for us to rectify our "bank style." In addition to major cases, the discipline inspection departments of banks at all levels should check these unhealthy tendencies in order to insure the smooth operation of banks.

1911

CSO: 4006/67

## FINANCE AND BANKING

### BRIEFS

NEI MONGGOL REVENUE--By the end of October, Nei Monggol had fulfilled 79 percent of the state revenue plan and 86 percent of the industrial and commercial tax procurement plan, an increase of 30.6 million yuan or 6.5 percent over the corresponding 1980 period. By the end of October, agricultural taxes collected were 8 million yuan or 70 percent more than in the corresponding 1980 period. By the end of September, the region had discovered that 14,700 enterprises had evaded taxes totaling 37.5 million yuan. Some 18.53 million yuan of evaded taxes have been restored. [SK131122 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 Nov 81]

HENAN FULFILLS REVENUE QUOTAS--By the end of October, Henan Province had fulfilled 97.6 percent of the quota for industrial and commercial taxes for 1981, which is 18.7 percent more than in the corresponding period of last year. Five prefectures had overfulfilled their quotas for revenue for this year. Xuchang and Kaifeng prefectures had overfulfilled their quotas by 37 and 20 percent respectively. With the economic development, the amount of taxes has increased. The amount of taxes of this province in August and September this year was some 590 million yuan, the highest on record. In particular, this province has reaped a bumper harvest of tobacco leaves and their quality is good. The tax on each 100 jin of tobacco leaves has increased from 26.8 yuan to 33.7 yuan and the tax on each case of cigarettes has increased from 306.8 yuan to 313 yuan. The province has now overfulfilled its quotas for taxes on cigarettes and brews for this year. The amount of taxes on textiles, edible oil, chemicals, coal, electricity, metallurgical industry and construction materials is more than in the corresponding period of last year. All places have seriously inspected tax evasion and arrears of taxes and achieved good results in taxation. [HK180841 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 16 Nov 81 HK]

CSO: 4006/144

## MINERAL RESOURCES

### BRIEFS

XINJIANG SALT PRODUCTION--By the end of August, crude salt production in Xinjiang region was some 290,000 tons, 85.4 percent of the quota for the year and 13.18 percent more than in the corresponding period of last year. The quality of salt has been improved. [HK260803 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Oct 81 HK]

XINJIANG INCREASES GOLD PRODUCTION--Xinjiang has scored pleasing achievements in this year's gold production. The region's gold production for January to September had fulfilled 284 percent of the annual plan, equivalent to the production of more than 5 years from 1976 to 1980. This year, the region readjusted the procurement price for gold and implemented various policies concerned, thus mobilizing the enthusiasm of the peasants and herdsmen in panning gold and promoting the development of gold production in the region. At present, Alatai, Tacheng and Hetian prefectures have fulfilled this year's gold production tasks ahead of schedule. [Urumqi Xinjiang Regional Service in Mandarin 1650 GMT 2 Nov 81 HK]

SICHUAN GOLD PRODUCTION--Sichuan Province has achieved outstanding results in gold production. From January to October, the province overfulfilled its gold production quota for 1981 by 145.7 percent ahead of schedule. The province's gold output in this period was 71.2 percent more than in the corresponding period of last year. [HK250927 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Nov 81]

XINJIANG METALS--The Xinjiang region nonferrous and rare metals industry has steadily advanced. By the end of September, the quotas for the production of six of the nine main products for this year had been fulfilled ahead of schedule. The region had also fulfilled some 30 percent of the quotas for the production of the other three products for this year. The quality of these products had been remarkably improved. The region has overfulfilled its quota for profits for this year. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Oct 81 HK]

CSO: 4006/145

## INDUSTRY

### JILIN CONFERENCE URGES INCREASED PRODUCTION

SK280902 Changchun Jilin Provincial Service in Mandarin 1100 GMT 27 Nov 81

[Text] According to our reporters, the provincial work conference on industrial and communications production, which ended on 26 November, urged the staff and workers on the province's industrial and communications front to enhance their enthusiasm, resolutely adopt effective measures and try everything possible to wage a successful battle in industrial production during the first quarter of 1982 and gain the initiative in 1982 industrial production.

The conference began on 24 November in Changchun. Comrade (Li Dongpo), vice chairman of the provincial economic commission, set forth a plan for 1982 first quarter industrial production. Leading comrades in charge of industrial production from municipalities and prefectures and responsible persons of the provincial bureaus, commissions, departments and offices concerned attended the meeting.

The conference earnestly summed up the experiences and lessons in this year's industrial production and devised an initial plan on 1982 first quarter industrial production. It also studied measures for fulfilling the plan. In line with the guidelines of the instructions issued by the state and provincial authorities, the conference pointed out that the guiding principle for 1982 first quarter industrial production is to comprehensively implement the eight-character policy on economic readjustment, increase the production of small commodities, daily consumer goods and small farm tools, readjust the service orientation of heavy industry, vigorously execute enterprise readjustment, improve the economic responsibility system in industrial production, improve product quality, increase the variety of goods and improve economic efficiency.

Comrade Dong Xin and (Li Zhenjiang), deputy governors, spoke. They urged leading bodies at all levels to proceed from the reality and attend to the current production task and the arrangements for next year's production. Planning, supply, commercial, financial and other relevant departments must closely cooperate with each other to fulfill the 1982 first quarter industrial production. They emphatically noted the need to devise production plans, establish contact between the producing and marketing departments, arrange raw materials and make the projects for consolidating, reforming and tapping the potential of enterprises produce the desired result as early as possible. We must strive to achieve real, unexaggerated industrial growth.

They pointed out: Fulfilling the 1982 first quarter industrial production plan is an arduous and difficult task. Leading bodies at all levels must overcome the unhealthy practice of discussing production without taking any action, discussing something without reaching a decision or adopting a decision but making no efforts to implement it. Efforts should be made to foster a fine and realistic work style, firmly strive to fulfill the 1982 first quarter industrial production plan and make a good beginning toward fulfilling next year's industrial production plans.

CSO: 4006/147



## INDUSTRY

### BRIEFS

**SHAANXI PREFECTURE INDUSTRIAL OUTPUT**--From January to October this year, Xianyang Prefecture topped all other areas in Shaanxi Province in industrial output. The total industrial output in the prefecture amounted to 359.19 million yuan, showing an increase of 6.2 percent over the corresponding period last year. The reason for this is that leaders at all levels in Xianyang Prefecture have enthusiastically helped workers and enterprises solve practical problems and seriously implement the production responsibility systems, thus enhancing the workers' enthusiasm for production. At the end of October, some units in the prefecture had already overfulfilled the year's production quotas. [HK271326 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 23 Nov 81 HK]

**SHANXI INDUSTRIAL PRODUCTION**--In October, Shanxi Province's total industrial output value was some 955 million yuan, 2 percent more than September and 9.4 percent more than October last year. The industrial output value of the enterprises run by the central authorities, the province, prefectures, municipalities and counties in October was more than October last year. The province-run enterprises' industrial output value in October was 15 percent more than October last year and 5 percent more than September. The province's light industrial output value in October was 17 percent more than October last year while its heavy industrial output value in October was 5.8 percent more than October last year and 3.6 percent more than September. The province's output of raw coal in October was 11.46 million tons, 6 percent more than September, 16.6 percent more than October last year and some 2 million tons more than the monthly planned output. The province's electricity output in October was some 1.03 billion kilowatt-hours, 11.6 percent more than September and 8.7 percent more than October last year. [HK140742 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 8 Nov 81 HK]

**BEIJING STEEL PRODUCTION**--From January to October, the Capital Iron and Steel Company earned a profit of some 250 million yuan, which was some 13 million yuan more than in the corresponding period last year. In implementing the principle of readjustment, the company's output of pig iron for 1981 will be 290,000 tons less than last year and output of steel will be some 100,000 tons less than last year. This will be a reduction of some 9 percent in the production volume of the two products compared to last year. Thus, the profit of this company for 1981 should be 8.7 percent less than last year. However, the company has decided to increase income although it has reduced production. The company originally



wanted to submit a profit of 260 million yuan to the state. When the company began implementing the economic responsibility system in June, it decided to increase its anticipated profit to 270 million yuan, which will be 8.7 percent more than last year. [HK140742 Beijing City Service in Mandarin 2300 GMT 2 Nov 81 HK]

NEI MONGGOL INDUSTRIAL OUTPUT--Nei Monggol Autonomous Region has made great progress in industrial production since the beginning of the fourth quarter. According to statistics, the regional industrial output value in October was over 493 million yuan, a 6.41 percent increase over the corresponding 1980 period. By the end of October, the per quarter output value was over 4.3 billion yuan. The region fulfilled its annual industrial production plan by 80.95 percent. It fulfilled or overfulfilled its annual production plans for the 17 products, including chemical fibers, cigarettes, and leather. [SK131115 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 12 Nov 81 SK]

HEILONGJIANG INDUSTRIAL OUTPUT--Heilongjiang Province made steady progress in industrial production in October. Its output value surpassed that of corresponding 1980 period by 6.2 percent. In the January-October period, the average increase of the three quarters' output value over the corresponding 1980 periods was 2.5 percent. The increase of light and textile industrial enterprises was 15.2 percent. In the same period, the output of daily consumer goods such as wristwatches, bicycles, chemical fibers, dairy products, leather shoes and televisions surpassed that of the corresponding 1980 period by over 20 percent. In October, the province overfulfilled its monthly raw coal production plan by over 167,000 tons or 4 percent. [SK090730 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 8 Nov 81 SK]

HUBEI INDUSTRIAL PRODUCTION--The total industrial output value of Hubei Province in October was 2.31 billion yuan, 5.8 percent more than in September and 25.1 percent more than in October last year. Due to increased production in October, the province fulfilled 81.48 percent of the quota for industrial production for this year in the period from January to October this year. Its industrial output was 7.1 percent more than in the corresponding period last year. The province has overfulfilled its quotas for the production of 29 products, including bicycles, watches, TV sets, cigarettes and sulphuric acid for this year. The profits which the state enterprises in the province submitted to the state in October were 21.3 percent more than in September. [HK140826 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 6 Nov 81 HK]

CSO: 4006/147

## CONSTRUCTION

### 'JINGJI YANJIU' DISCUSSES CAPITAL CONSTRUCTION

HK010233 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 10, 20 Oct 81 pp 62-64

[Article by Liang Wensen [2733 2429 2773] and Tian Jianghai [3944 3068 3189] of the Economic Research Institute of the Chinese Academy of Social Sciences: "What Is Capital Construction?"]

[Text] What is capital construction and what categories of things does it include? At present, people's theoretical understanding of this question is far from unified. In practice, there is considerable confusion about the range of things included in capital construction. This greatly hinders the strict control of the scale of capital construction and the scientific planning of the relationship between production and construction. Therefore, there is an urgent need in real economic life to clarify the meaning of capital construction. We will put forth some preliminary views for our comrades to consider.

At present, there are different concepts as to the economic category of capital construction.

The first concept is that capital construction is the expanded reproduction of fixed capital assets.

The second concept is that capital construction is simply the reproduction of fixed capital assets; that is, it includes both the expanded reproduction and the simple reproduction of fixed capital assets. Some people express this concept in the following specific terms: capital construction is the process of producing fixed capital assets and includes the renewal (including partial renewal), reconstruction, expansion and building of productive and nonproductive fixed assets in various national economic sectors.

We believe that it is incorrect to equate capital construction to the expanded reproduction of fixed assets, where the element of simple reproduction is completely precluded. However, it is also questionable whether all activities of simple reproduction of fixed assets should be included in capital construction.

As an economic activity in which fixed assets are created, capital construction specifically refers to the reproduction of fixed assets rather than the reproduction of social products in general. People's understanding on this point is basically unified. The question is whether it includes the entirety, or only a part, of the reproduction of fixed assets. The main arguments of those comrades who hold that all categories of reproduction of fixed assets should be included in capital construction are as follows: 1) Simple reproduction and expanded reproduction are only theoretical abstractions. In real life they cannot be separated. The replacement and accumulation of fixed assets are often carried out together. The formation of fixed assets, whether the replacement or for accumulation, is identical in content. Therefore, the difference between replacement and accumulation cannot be taken as a criterion for distinguishing capital construction from non-capital construction. 2) At present, the capital construction front is becoming increasingly more extensive precisely because capital construction is artificially separated from the tapping of potential, innovation and transformation. The main argument of those comrades who advocate the concept that capital construction should only include the expanded reproduction of fixed assets is that, theoretically speaking, the nature and role of simple reproduction are different from those of expanded reproduction; capital construction should belong to the category of accumulation and should be distinguished from the kind of reproduction aimed at maintaining the existing scale.

According to the first view, the renewal of, and major repairs to, fixed assets as well as the tapping of potential, innovation and transformation taking place in enterprises all belong to the category of capital construction. If so, then during the past 2 years, the scale of our country's capital construction expenditure has far exceeded 50 billion yuan, and this year the scale of capital construction expenditure cannot be kept within the limit of 30 billion yuan. If we make the scope of capital construction very wide, is this favorable to centralized administration? In particular, during the period of readjustment, is this favorable to the strict control of the scale of capital construction? On the other hand, according to the second view, there really exists the problem of how to clearly draw a line of distinction. If there is no clear line of distinction, then what one considers as a capital construction activity may be considered as an activity of tapping potential or innovation or transformation by another, and an activity that one considers should be discontinued, may need to be commenced, according to another's view. Is this conducive to controlling the scale of capital construction and to attaining an overall balance in the national economy? Because of these problems, some comrades have raised the question of whether the determination of the nature and scope of capital construction should be based on the simple reproduction and expanded reproduction of fixed assets or be based on expediency in administration? In other words, should we take it as an abstract theoretical category or as a concept related to administration?

We think that, when we study the question of what capital construction is, we should really consider many complicated factors and strive to make a specific analysis on the basis of a close integration of theory with practice. We must

neither depart from the basic principle of scientifically distinguishing simple reproduction from expanded reproduction, nor simply take the difference between the simple reproduction and the expanded reproduction of fixed assets as an absolute criterion for classifying what is capital construction and what is not, thus ignoring the need for workable requirements in actual administration.

The term capital construction first appeared in the Soviet Union, in a report written by Stalin in 1926. This concept was not used by Marx, Engels or Lenin in their works. In capitalist countries, the term capital construction is not used. Instead, the concept of investment in fixed assets is used. Socialist capital construction refers to investment in fixed assets, but it cannot be thus deduced that all categories of investment in fixed assets are capital construction activities. Some comrades think that Stalin put forth the term capital construction to refer, in a sense, to the more important construction activities. We believe that capital construction is something relative to current production. It has certain qualitative characteristics. It is a special realm and an important part of national economic and social reproduction activities. Capital construction is a kind of economic activity in which fixed assets are created. Generally speaking, its substance and nature is that it involves a series of processes such as surveying, designing, construction, the purchasing and installation of machinery and equipment, and so on. From the time when preparatory work for construction is done and materials are secured, to the time when the completed fixed assets are made available to the users, there is a considerably long cycle (or time lag).

There are different categories of reproduction for fixed assets of different natures. One category involves the replacement of the means of labor, which have been accumulated in the past, so that the existing scale, in real terms, is maintained. The other category involves accumulation, with the scale of the means of labor, in real terms, being expanded. The former is the simple reproduction of fixed assets, whereas the latter is the expanded reproduction of fixed assets. The two categories are often interwoven. However, the former is the basis, and the latter expands and develops on this basis. Objectively, the process of social reproduction is very complicated. Amid these complicated phenomena and the continuous process of reproduction, those people involved in theoretical work must make abstract theoretical analyses and generalizations. They must not deal with things indiscriminately, obliterate the characteristics of, or the distinctions between various things, nor regard phenomena as the essence of things or put the incidental before the fundamental. This is disadvantageous to practical work. It is necessary and correct to consider the expanded reproduction of fixed assets as capital construction. However, it is unworkable in practice to exclude, from capital construction, all simple reproduction of fixed assets, and we also lack an adequate theoretical basis to do so. This is because some activities, such as building new mines to replace old ones, civil engineering projects undertaken to transform the existing fixed assets and so on, which belong to the category of simple reproduction of fixed assets, must be accomplished through capital construction.

If we include all the reproduction of fixed assets in capital construction, there will be many problems which cannot be satisfactorily solved.



First, comrades who adhere to the view that all reproduction must be included in capital construction, hold that it is both difficult and unnecessary to distinguish the simple reproduction of fixed assets from expanded reproduction. Actually, this is not so. The question is, what criteria are to be used for the categorization? The categorization can be made on the basis of value. (Reproduction that maintains the existing value of capital funds is simple reproduction, whereas expanded reproduction causes the value of capital funds to exceed the original level.) The categorization can also be made on the basis of use value (production capacity). (Simple reproduction results in the maintenance of the existing scale of production capacity, whereas expanded reproduction causes the scale of production capacity to surpass the original level.) The difficulty is that if technology is advancing, simple reproduction in terms of the value of capital funds often amounts to expanded reproduction in terms of use value. The converse may also occur. Under these circumstances, should a particular kind of reproduction be regarded as simple or expanded? We think that under the condition of socialism, because the aim of production is to satisfy society's and the people's needs, we should take use value as the main criterion. However, we must not ignore the reproduction of value or refrain from undertaking economic accounting. Of course, although theoretically we clearly assert that the simple reproduction of fixed assets can be distinguished from expanded reproduction, in actual work many specific problems need to be studied and solved. However, we must not negate the necessity of making a distinction, just because it is difficult to do so. Under general circumstances, in principle, the question of whether the simple reproduction of fixed assets should be carried out does not arise, because if simple reproduction is not maintained, the capital stock will diminish and production will decline. As for expanded reproduction, because it affects the ratio between accumulation and consumption, because it is related to changes in the structure of production governing various sectors or changes in the distribution of productive forces, and so on, we must exercise strict control over matters such as whether planning is necessary, what should be planned, and the quantitative aspects of our planning. Those capital construction projects which mainly belong to the category of expanded reproduction, in particular large- and medium-scale projects, affect the overall balance of the national economy, and therefore the power of making decisions about them should be centralized in the central authorities. In practice, our neglect of the renewal and transformation of old enterprises and our one-sided pursuit of starting new projects are not caused by the drawing of a line of distinction between simple reproduction and expanded reproduction. On the contrary, the cause is the neglect of the distinction between simple reproduction and expanded reproduction.

Second, there are contradictions in the arguments of those comrades who hold that all reproduction must be included in capital construction. For example, they also admit that capital construction involves processes of productive consumption which involve large quantities and long cycles. That is, magnitude and length of time are the basic characteristics which distinguish it from other categories of current production. Magnitude can be interpreted as high value of investment, large volume of work and large-scale activities. Length of time means long cycles of construction, usually exceeding 1 year. This is undoubtedly correct. However, are these basic characteristics displayed in all cases of production and reproduction of fixed assets? No, for example,

these basic characteristics are not necessarily displayed when an enterprise replaces certain items of machinery or equipment on the basis of maintaining the existing scale. This may not involve a large investment, a very long construction cycle, surveying, designing or civil engineering projects. Obviously, in these circumstances, we must not regard this as a form of capital construction. However, this is a replacement of fixed assets and is a form of production and reproduction of fixed assets. As to small-scale transformations of, or innovations in, the enterprises' fixed assets, or occasional purchases of fixed assets and so on, these do not possess the above-mentioned basic characteristics, but these are instances of the production and reproduction of fixed assets.

Furthermore, those comrades who hold that all reproduction must be included in capital construction also agree that in planning, we should implement the principle of "assigning priority to simple reproduction over expanded reproduction" and "assigning priority to replacement over accumulation." However, if we adhere to the view that it is difficult and unnecessary to distinguish simple reproduction from expanded reproduction, how can such priorities exist? But facts tell us that it is impossible for us not to follow these principles. Therefore, we still need to classify capital construction activities into different forms, such as renewal, restoration, reconstruction, expansion, new projects and so on.

Subjectively, one may think that people can be reminded of the importance of capital construction. But, if various forms of reproduction of fixed assets are not studied and differentiated and if all these forms are included in the category of capital construction, the actual results will be contrary to expectations. The capital construction departments have to concern themselves with all matters, important or trivial, concerning the reproduction of fixed assets. Consequently, the satisfactory grasping and management of those capital construction projects which exhibit the above-mentioned basic characteristics is affected. "Attention is paid to the sesame seeds but the watermelons are overlooked." The gains cannot offset the losses. Moreover, the importance of capital construction, and also its important role in the achievement of the expanded reproduction of fixed assets, are weakened. Actually, this amounts to obliterating the economic nature of capital construction as the principal form of accumulation of fixed assets.

Our overall view is that capital construction mainly refers to the construction, acquisition and installation of new fixed assets. Generally, it involves a series of processes such as surveying, designing, construction, the purchase of equipment, installation and so on. It exhibits characteristics such as relatively long construction cycles and relatively large investments. All such economic activities, in which fixed assets are created, including a part of the replacement of fixed assets and the entirety of the accumulation of fixed assets, should be regarded as capital construction. However, capital construction is principally the accumulation of fixed assets. That is to say, although it may include a certain part of the simple reproduction of fixed assets, its principal form is the expanded reproduction of fixed assets.



After recognizing its qualitative characteristics, we should also assign quantitative characteristics to it. For example, in the light of different industries and different circumstances, we should specify certain investment figures, or certain sizes of construction areas, or certain quantitative increases in the production capacity. We should also sort out those technological measures which belong to the realm of capital construction and thus eliminate the state of confusion caused by "small-scale capital construction employing large-scale projects technological measures." In real life, some specific limits will be accompanied by a lack of clear-cut delimitation or by the existence of borderline cases. However, various items can still be categorized on a broad basis. For example, certain categories of major repairs (such as major repairs to blast furnaces, the rebuilding of factory buildings and so on), the overall transformation of old factories, the building of principal or independent workshops and so on, should be included in capital construction. The simple reproduction of some other fixed assets should not be included in capital construction. If we can relatively clearly define the nature and scope of capital construction on the basis of integration of theory with practice, this will be conducive to reducing the overly large scale of capital construction and fulfilling the task of further readjusting the national economy. Moreover, we can correctly plan the relationship between production and construction in our long-term planning.

[Footnote]: Whether the use of the term "capital construction" should be continued has been discussed in other articles. Even if it is replaced by some other term, some practical problems which were raised in this article require further study.

CSO: 4006/147

## CONSTRUCTION

### BRIEFS

KUNMING URBAN CONSTRUCTION MEETING--On 11 November, the Kunming Municipal CCP Committee sponsored and held a meeting on urban construction management. The meeting put forward specific measures for doing well in urban construction management and demanded that all units support this work in the municipality. Kunming Municipal CCP Committee first secretary Li Yuan gave a report on the situation of urban construction management in the municipality over the past few years and on the development of urban construction management. Governor Liu Minghui attended and spoke. [HK250927 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 15 Nov 81 HK]

SHENYANG UNDERGROUND PASSAGE--A new underground passage has been constructed near the Shenyang railway station. The underground passage has two outlets, each of which is 64.8 meters long, 6 meters wide and 3.2 meters high. The inauguration ceremony was held 14 November. It was attended by provincial and Shenyang municipal leading comrades, including Li Tao, Xie Huangtian, Zhu Weiren, Xiao Zuohan and Deng Zhongru. Wang Danpo, acting mayor of Shenyang Municipality, cut the ribbon. [SK170558 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 14 Nov 81 SK]

CSO: 4006/147

## DOMESTIC TRADE

### BRIEFS

**LIAONING SCRAP MATERIALS**--Liaoning Province has prefulfilled and overfulfilled its annual purchase and sale plans for old and scrap materials. According to statistics compiled at the end of October, purchase value reached 160,700,000 yuan, a 6.2 percent increase over the corresponding 1980 period. Sale value was 189,150,000 yuan, a 3.9 percent increase over the annual sale plan and an 8.1 percent increase over the corresponding 1980 period. In the first 10 months of the year, the province supplied 798,000 tons of raw materials derived from old and scrap materials to its industrial enterprises, a 5.3 percent increase over the corresponding 1980 period. [SK171154 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 16 Nov 81]

**HEILONGJIANG PRICE READJUSTMENT**--In accordance with the guidelines of the State Council circular, the Heilongjiang provincial people's government issued a circular that the province will lower prices for polyester-cotton and polyester-viscose fabrics and increase prices for alcoholic drinks and cigarettes on 18 November. In recent years, our country has witnessed rapid development of the chemical fiber industry. Both the output and production capacity of the chemical fiber industry have doubled. However, higher existing prices have discouraged consumption somewhat. Therefore, the State Council decided to lower the selling prices for polyester-cotton and polyester-viscose fabrics to boost the sales of chemical fabrics. [SK182234 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 17 Nov 81]

**GUANGDONG INSPECTING MARKET PRICES**--On 19 November, the Guangdong Provincial People's Government issued a circular on inspecting market prices. The circular pointed out that the inspection aimed at investigating the supply and management of the consumer goods and aquatic products for which the prices should remain stable according to a circular of the provincial people's government on stabilizing market prices. Anyone violating the regulations of the circular must be rectified, while models should be recommended. The price inspection group will conduct inspections in the three municipalities of Guangzhou, Shantou and Zhanjiang. The provincial people's government demanded that all commission offices and all county and municipal people's governments organize the relevant departments to launch inspection of market prices. It also plans to convene a meeting to study how to further stabilize market prices in late November. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 20 Nov 81 HK]

## FOREIGN TRADE

### PROSPECTS OF FOREIGN TRADE IN 1980's STUDIED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3, 1981  
pp 13-16

[Article by Xu Ziangquan [1776 6343 2938]: "Changes in China's Trade Terms in the 1970's and Their Outlook in the 1980's"]

[Text]

#### I

Trade terms, also called the comparative prices of import and export goods, refer to a comparison between the total export price level with the total import price level of a country (or a region). It is an important comprehensive index reflecting and measuring the advantages and disadvantages brought about by the import and export prices in the foreign trade of a country, and serves as a guidance in the development of its foreign trade.

In the 1970's, changes in the terms of foreign trade in our country were as follows:

#### Chinese Trade Terms 1970-1980 (197- = 100)

Year	Total Export Index	Total Import Index	Trade Terms
71	95.0	93.6	101.5
72	102.0	96.7	105.5
73	156.7	125.1	125.3
74	206.6	176.0	117.4
75	198.2	188.8	105.0
76	186.0	159.7	116.5
77	219.3	160.7	136.5
78	236.7	177.1	133.7
79	264.1	220.2	119.9
80	292.3	257.8	113.4

The above trade terms are based on the price indexes of the principal import and export commodities from 1970 to 1980 in our country as compiled by the Comprehensive Planning Bureau of the Ministry of Foreign Trade. A total of 73 principal exported items were selected for compiling the export price index, and their export value amounted to approximately 50-60 percent of our total export value. Therefore, the trade terms computed on this basis have a representative character.

Judging from the entire 1970's, we can see that our trade terms were on the whole favorable. If 100 is used as the base figure in 1970, then the comparative prices throughout the 10 years were more than 100. In other words, for every 100 units of exported goods, we could bring back more than 100 units of imported goods. In the last 3 years, however, the terms turned out to be unfavorable. If 100 serves as the base figure of 1977, then the figures for the years 1978, 1979 and 1980 would be below 100.

The changes of comparative prices in our imports and exports from 1970 to 1972 were insignificant. In 1973, when the Western economy was on a periodical rise, the worldwide currency inflation became intensified, and the world market prices soared. There was a general increase of 53.6 percent in our export prices against a general increase of 29.3 percent of our import prices. Since our export prices rose much faster than our import prices, our comparative import-export prices rose to 125.3. In 1974 and 1975, when the Western countries faced a very serious economic crisis after the war, there was a marked reduction of commodity prices in the world market. In 1975, our general export prices dropped by 4.1 percent, but the general import prices did not show any corresponding drop. Therefore, the comparative import-export prices dropped to 105.0. In 1976, our general export prices continued to drop by 6.2 percent, but the drop in the general import prices was even bigger--as much as 15.3 percent--and our comparative import-export price rose to 116.5. In 1976, the Western economy began to recover with an upswing in world market prices. In 1977, our comparative import-export price rose by 17.9 percent, and the rise of the general import price was very minor. Thus our comparative import-export price rose to 136.5, the peak figure in the 1970's. After 1978, the rise of our export prices was not so much as that of our import prices. In the 3 years from 1978 to 1980, the general export prices rose by 7.9 percent, 11.5 percent and 10.6 percent respectively, while the general import price rose by 10.2 percent, 24.3 percent and 17 percent respectively. Therefore, our trade terms turned unfavorable. If we changed the base period, the unfavorable situation would be even more obvious. Now, if we take 100 as the base figure for 1977, the figures for 1978, 1979 and 1980 will be down to 97.9, 76.9 and 83.1, with a marked downward trend every year. This change should deserve due attention. (Refer to the following table)

China's Trade Terms 1977-1978  
[as published]

Year	Total Export Index	Total Import Index	Trade Terms
77	100	100	100
78	107.9	110.2	97.9
79	120.4	137.0	87.9
80	133.3	160.4	83.1

The changes in our trade terms during the 1970's were different from those of many developing countries. Aside from the effects of price changes in the world market, our changes were largely related to the structure of our exported products which was neither vertical nor horizontal. Unlike many other developing countries which mainly carried on the exchange of primary products for finished products, or simply the exchange of finished products, ours is mostly an exchange of primary products.



In the 1970's, our main export products were agricultural byproducts, native and animal products, foodstuffs, processed agricultural byproducts, primary petroleum and mineral products and primary light and textile industrial products. Primary products accounted for more than one-half of our total exports. Our imported products were mainly industrial raw materials and consumer goods, such as wheat, cotton, sugar, animal and plant oil, iron ores, pig iron, rolled steel, chemical fertilizers, chemical fibers, wool, artificial cotton, rubber, paper pulp, paper, plastic raw materials, copper, aluminum, lead, nickel, phosphate, timber, leather and jute. All these raw materials and agricultural products were primary products, and they accounted for more than one-half of our total imports. Machinery, electrical appliances, instruments, complete sets of equipment and advanced technology amounted to only about 20 percent of our imports. Since the changes in the varieties and specifications of these imported commodities almost every year made a comparison difficult, we have excluded them from the import price indexes listed in the above tables. If they are included, the comparative prices may turn out to be even more unfavorable. Since more than one-half of our imported and exported goods were primary products, it can be said that our import and export is mainly the exchange of primary products (agricultural byproducts, native products, special products, mineral products and fuel), for other primary products (industrial raw materials, food, cotton, sugar and other agricultural products in large amounts).

Based on this structure of import-export commodities, the changes in our trade terms are different from those of many developing countries as well as those of many developed countries. Before 1977, our export prices generally rose faster than our import prices. From 1970 to 1977, the export prices of our native and animal products and foodstuff, such as rice, broad beans, edible oil, peanuts, pond fish, miscellaneous beans, tung oil, rabbit meat, pork, tea, honey, almond, edible fungus, white melon seeds, cured tobacco, tangerines, apples, frozen prawns, dried chilli, down, rabbit fur, cashmere, goatskin and rugs were more than doubled, and some of them were even trebled or quadrupled. The prices of mineral products, such as tin, tungsten ores, coal, coke, cement, tar and paraffin were also more than doubled. The margin of price increase for some light industrial goods was quite wide because their previous prices had been set too low. The increase of handicraft product prices was also quite large. Furthermore, some raw materials and foodstuff were changed to semifinished products, processed products and small packaged commodities for export with higher prices. Except for cobalt, phosphate, iron ores, paper, cotton, wool, artificial silk, artificial cotton, coffee, cocoa, sisal hemp, rolled steel, copper, aluminum and some other nonferrous metals, the import prices of many principal items such as rubber, pulp, timbers, wheat, animal and plant oil, sugar, jute and many others were never more than doubled throughout the period 1970-77. Therefore, the trade terms in 1977 were favorable to us.

The situation, however, changed after 1977, and the favorable conditions turned unfavorable. The increase in import prices was more than in export prices, because of the sharp rise in the world market prices of grain, sugar, oil, cotton, chemical fertilizer, chemical fibers, rubber, iron ore, phosphate, and paper--which accounted for more than one-half of our total imports. On the other hand, with the exception of petroleum which was sold at a largely increased price, our main exported products, such as light and textile industrial goods, chemical industrial products, machinery, mineral metals, agricultural byproducts, native and animal products, handicraft products, handicraft products, edible oil and some foodstuff, were sold at only slightly increased prices, although world market prices for these

items were, generally, on an upward trend. The main reasons were as follows: First, most of our exported finished products and processed agricultural byproducts were of a low grade. Because of inferior quality or performance, lack of variety and poor packing, they failed to meet the foreign market demand. Therefore, the margin of price increase for these products continued to shrink. Our export price index is based on the average per-unit price of exported products. Since these products were of a low grade and had a small range of specifications, the average per-unit price had to be low. In the present world market, there is an increasing demand for goods of a high grade, fine quality and large variety. The better the quality of high-grade goods, the greater will be the sales, and the wider will be the margin of price increase. On the other hand, sales of low-grade goods are poor and their prices cannot be high. Our exported light and textile industrial goods, for example, were generally goods of the lower-middle grade or semiprocessed products with little improvement in quality or change in specifications and style for many years. Some light industrial products remained unchanged for as long as 10 or 20 years, while our chemical-industrial products were mostly of the inorganic type in a primary form. Most of the machinery exported was also a primary product. In view of the odds against us in a competition in which "only fine quality counts," it was hard for us to increase our prices. The quality of some agricultural byproducts, such as black tea, tobacco, honey and pork, has also remained unchanged for many years. That is why since 1977, the average price of our exported goods, with the exception of animal products, has increased only slightly. This was particularly true of foodstuff and processed foodstuff. Secondly, in view of the keen competition in the world market and the rise of trade protectionism, restriction on imports continued to tighten. The United States and the European Common Market even imposed import quotas on textile goods, thus adding to the difficulties of our sales. In the case of light and textile industrial products of the lower-middle grade, not only have there been strict restrictions on imports but also growing competition from many developing countries whose light and textile industrial products are now finding their way into the world market in increasing quantities. All this was unfavorable for our price increase. Thirdly, our export trade was penalized by the terms of delivery. Since our delivery was always behind date, customers did not receive goods intended for the summer season until the arrival of winter, and the goods received did not measure up to the standards of quality and packing as specified in the contracts. Furthermore, not many of our products were readily marketable, and if we had to push the sales of our slow-selling products in the face of strong competition, it would be very difficult to increase their prices. To offset these disadvantages, it was even necessary to cut our prices in order to clear up the overstocked goods. Fourthly, the processing of imported materials contributed to the major portion of our total export value. In recent years, increase in the prices of imported raw materials was larger than the increase of the prices of our exported finished products. Thus the price differential between our exported finished products and our imported raw materials (mainly imported cotton and exported cotton textile goods) became reduced. In other words, the additional value of our products became lower, and this accounted for the unfavorable trend of the comparative prices of imported and exported goods of this type in the past 3 years. Furthermore, the export of some traditional agricultural products, such as rice, broad beans, tung oil and edible oil--which were exported in huge quantities and which brought in a great deal of foreign exchange earnings--has been reduced, and there were certain problems with our foreign trade system, our business management and our pricing.

These were the main reasons for the unfavorable trend of our trade terms in the past 3 years as well as the main obstacle to the further expansion of our export trade.

## II

In the 1980's, unfavorable trade terms for the majority of developing countries are expected to continue. The main cause of this unfavorable trend is that in addition to the disadvantage brought about by the exchange of primary products for finished products to the country which exports primary products, in international trade there is still a disadvantage to developing countries in their exchange of their finished products for the finished products of the industrially developed countries. During the 1980's predictably the developing countries will further increase the export of their finished products to developed countries. Since these exported products mostly consist of light and textile industrial goods and primary machinery, all calling for high labor intensity and having a low additional value, while, on the other hand, the finished products exported by the advanced industrial countries to the developing countries are mostly heavy industrial products of high precision calling for a concentration of technical and financial resources, and having a high additional value, the exchange between high-grade and low-grade finished products will become an exchange of unequal values. South Korea, for example, became one of the regions with the fastest growth of export trade in the 1970's. Its exports consisted mostly of light and textile industrial products and primary machinery products, which accounted for more than 60 percent of its total exports. Since increase in the prices of these exported low-grade products of high labor intensity was far less than that of the imported heavy industrial goods of high-precision and high-grade, or that of imported capital equipment and energy, its trade terms tended to be unfavorable. In Taiwan, again, there was a fairly rapid growth in the export of finished products, mainly light and textile industrial products of high labor intensity. As a result of the exchange between low-grade finished products on the one hand and capital equipment of high technology, expensive energy and industrial raw materials on the other, its import price index last year was up 22.5 percent, while its export price was up only 11.2 percent--an obvious deterioration of trade terms. Similar conditions existed in other fairly rapidly developing countries and regions.

There are many similarities as well as differences between the trade terms of China and those of many other developing countries in the 1980's. The extent of these similarities and differences will be determined by the changes in the structure of our exports and the improvement of our foreign trade management. At present, there is backwardness not only in our export trade, but also in our import structure which is even low grade. Because of the further readjustment of our national economy now going on, no major changes in these structures are expected in the first half of the 1980's. It is anticipated that along with the readjustment and rationalization of the production structure at home, there will be a corresponding growth of exports. The demand of a population of 1 billion on the home market will bring about a continued drop in the export of food and raw materials, and large-scale exports of traditional agricultural products can hardly be expected to increase. The growth of energy export may not continue; instead, it may level off or even decline. As for imports, it is not likely that the large transactions of industrial raw materials, chemical fertilizers, grain, cotton, oil and other agricultural products will be reduced in the near future. Furthermore,



the importation of durable consumer goods, such as TV sets, radio-recorders, wrist watches, refrigerators, and so forth, will be further increased as a support for the home market and to help in currency withdrawal. There will however be no appreciable increase in the importation of such capital goods as machinery, electrical appliances, instruments and complete sets of equipment for some time because of the reduction of capital construction projects and the reorganization of heavy industry. Under such conditions, our trade terms may continue to deteriorate. In the 1980's commodity prices in the world market will tend to rise, and the prices of heavy industrial, high technology products, capital equipment and other high-grade finished products will increase faster than those of the light and textile industrial products of high labor intensity. Therefore, the prices of high-grade and high-precision machinery will increase faster than that of the primary and common machinery, and the prices of industrial raw materials, chemical fertilizers, and grain which are imported in large quantities will rise faster than those of our agricultural byproducts, native products and light and textile industrial products. Even the prices of animal products will not increase in the way they did in the 1970's. It is estimated that during the second half of the 1980's, there will be increases in the export of our light and textile industrial products and machinery along with the increased importation of advanced technology and capital equipment; and it may be difficult to turn the trade terms to our advantage. This question will however be decided by: (1) the improvement of quality, specifications, performances, designs and packings of our exported light and textile industrial products and machinery; a continual upgrading of these products; and a reform of our product mix with the addition of more easily marketable, high-grade and fine quality goods and the reduction of low-grade and low-price products for export along with the improvement of management and constant reduction of production costs; (2) a gradual production for export; (3) the increase of the additional value of finished products made from processed imported materials; and (4) the gradual reduction of importation of consumer goods and agricultural products now being imported in large quantities. We must fundamentally change the structure of our exported goods before we can achieve favorable trade terms.

9411

CSO: 4006/78

## FOREIGN TRADE

### THIRTY MEMBER TEAM INVESTIGATES GUANGDONG SPECIAL ECONOMIC ZONES

Guangzhou YANGCHENG WANBAO in Chinese 30 Sep 81 p 2

[Article by Zeng Muye [2582 3668 6851]: "An Investigative Study of the Special Economic Zones]

[Text] In order to do a good job of building the special economic zones, the relevant departments in Guangdong Province recently organized nearly thirty economists and economic workers to go to the Shenzhen and Zhuhai special zones to carry out an 18-day investigative study. This activity has made us feel deeply the necessity and urgency of developing investigative studies on the economic zones.

One of the significances of these investigative studies is that they deepen our understanding of the Historical Resolution of the Central Committee. Two years have passed since we resolved to set up "special economic zones." During these two years, the province has persisted in carrying out the strategic decision of the Central Committee and gained valuable experience. In addition, the municipalities of Shenzhen and Zhuhai as well as the cadres and workers of the two special zones have moved heaven and earth, blazed the tough new trail, dared to innovate and achieved preliminary results. Over the past two years, Shenzhen Municipality has taken in 720 foreign capital import projects with a total investment capital of over 2.3 billion Hong Kong dollars according to the signed contracts. Included among these are projects to process and assemble imported materials, to cultivate imported aquatic products and for compensatory trade. There are cooperative ventures, joint-capital ventures and single investor ventures. In the past more than two years Zhuhai Municipality has imported 200 projects with a total capital investment of over U.S. \$150,000,000. Of particular value has been that the "trailblazers" have acted in the spirit to "seize the day, seize the hour" and simultaneously drafted plans, signed contracts, engaged in construction and put projects into operation. Shenzhen Municipality has already finished deliberations on 720 imported projects of which 548 are already in operation and 95 are being built. Although some larger projects are still being built in Zhuhai Municipality, the majority of projects are now in operation. In both of these cities the original industrial and agricultural base was relatively weak, but after two years of importing and construction, they have



already set up industries for home electrical appliances, light industrial and textile goods, construction materials, food and beverages, everyday furniture and tourism. They have developed export trade, aquatic products and commune and brigade industries. Industrial and agricultural production and financial revenue have all greatly increased, creating an impressive foreign exchange income for the state. At the same time, all of the initiative and management powers for economic activities within the special zones have remained in our hands, that is to say that it is the Chinese government which exercises sovereignty and all of the economic activities within the zones must operate within the bounds permitted by China's laws (including the special regulations for the zones). In no way is it the "colonial economy" that some have called it. It is extremely important to unify our understanding on this question as a prerequisite to our correctly summing up our experience in our present and future studies of the relevant policies, institutions and theoretical questions pertaining to the special economic zones. It will also help us resolve some splits in theoretical viewpoints. Of course, we do not want to sidestep the deficiencies in our work and pave the way for some passive social phenomena and social questions which the zones have brought with them.

The second significance of these investigative studies is that they sum up and investigate experiences in building up the special economic zones. Besides the general aspects of clarifying the nature, position and function of the zones together with their forms, economic structures and struggles against corruption, it is extremely necessary to focus our study and summing up on the following questions. In production: 1. enterprise management in the zones, particularly the management experiences of the jointly operated and single investor ventures; 2. reforms in labor management and the wage systems in the zones; 3. how agricultural production outside the zones in the two municipalities of Shenzhen and Zhuhai meets the demands of zonal development; 4. the development of tourism in the special zones; 5. land prices in the zones; 6. the economic results of zonal importing work and the interrelationship between zonal imports and the development of economic alliances domestically; and 7. the relationship between zonal construction and that of the inland or the core city (Guangzhou). In circulation: 1. how the special economic zones can make the transition from the present system where regulation by plan is primary to one where market regulation is primary; 2. expanding the export foreign exchange receipts of the zones and enlarging their self-determination in foreign trade; 3. market supply, price management and the arrangements for people's livelihood in the zones. In finance and banking: 1. the monetary system, banking system and foreign exchange management in the zones; zonal tax collection policies and systems as well as financial management systems; together with experiences in negotiating and signing contracts, the economic effects of second line construction, and the like.

It has been two years since Guangdong Province set up the Shenzhen and Zhuhai special zones (plans and preparations are now being made for the Shantou special economic zone). The numerous phenomena which have developed before our eyes require us to go look into them, refine them and generalize them so as to form a theory on the construction of Chinese-style "special

economic zones." This task has been set before us repeatedly by the party. During the "four modernizations" we should continuously study new situations, sum up new experiences and seek out a highly effective path for developing the economy. Systematically developing our investigative studies of the special economic zones and proposing a set of theories on their construction is our long-term task. Our economic theorists and practitioners have an unshirkable responsibility. We should spare no effort to complete this glorious task ahead of time.

11723

CSO: 4006/68

## FOREIGN TRADE

### GUANGZHOU NOT MAKING FULL USE OF ZHUHAI SPECIAL ECONOMIC ZONE

Guangzhou GUANGZHOU RIBAO in Chinese 29 Sep 81 p 2

[Article: "Zhuhai Special Zone Urgently Needs Guangzhou Support"]

[Text] A reporter for this newspaper recently interviewed relevant leading comrades of Zhuhai Municipality and some comrades from Guangdong Province and Guangzhou Municipality who were in Zhuhai on business. They all felt that Guangzhou has a responsibility to support Zhuhai and that it can reap rewards from making use of Zhuhai.

Zhuhai is a new city with a population of 150,000, the vast majority of whom are peasants, fishers and floating fishers. The urban population is only 38,000.

Zhuhai, at the estuary of the Pearl River, is linked by land to Macao and by sea to Hong Kong. Besides being an important port of entry for Hong Kong and Macao, it is a scenic tourist spot with excellent prospects for development. Since the CCP Central Committee and the State Council approved the trial establishment of a special economic zone in Zhuhai in 1979, the local people have been resolved to make full use of the advantages of their zone to transform Zhuhai into an export commodity base which combines agriculture and industry at a relatively high level, a tourist area for visitors from Hong Kong and Macao and a new-style border city and special economic zone. Relevant leading comrades of Zhuhai Municipality told our reporter that the city's total value of agricultural, industrial and fishery output last year was over 60 percent greater than in 1978 and that electronics, woollens, cotton textile and clothing industries are mushrooming. Last year they received a total of 390,000 visits from foreigners, overseas Chinese and tourists from Hong Kong and Macao. The first half of this year the number of visits was double that of the same period last year. The municipality's construction is developing like bamboo shoots after a spring rain.

Zhuhai has run into one especially noteworthy problem in developing its economic construction and tourist industry, a shortage of skilled labor. It urgently needs the forceful support of order cities, in particular,

Guangzhou. The comrades in Zhuhai Municipality said that when First Secretary Liang Lingguang and others of the Guangzhou CCP Municipal Committee have come to visit, they have expressed the notion that Guangzhou must make great efforts to support Zhuhai, and in reality Guangzhou has given quite a bit of support to Zhuhai. During the course of his visit, our reporter discovered many areas where Zhuhai's capabilities are weak and where Guangzhou is responsible for helping them. For example, Zhuhai's industry is developing from nothing. Besides entering into cooperative arrangements with Hong Kong and Macao, they would like to cooperate with Guangzhou. In the entire municipality of Zhuhai, there is not one Western-style clothing store, high-level haircutting establishment or photographic studio which can develop and print color film, and there are very few high-level physicians. In all these areas Zhuhai urgently needs Guangzhou's help. Construction development is quite rapid in Zhuhai, where 20 tourist spots are planned or being built; this also urgently requires further help from Guangzhou.

As our reporter saw, some facts show that some units in Guangzhou have already begun to pay serious attention to utilizing Zhuhai. For example, in Gongbei, billboards have been posted advertising Qingnian brand ballpoint pens, pearl ointment, Mingzhu brand watches, essence of Chinese caterpillar fungus and chicken and Chinese angelica essence, all Guangzhou products, yet the actual utilization of the favorable conditions of Zhuhai has yet to begin. In Gongbei, Xiangzhou and Qianshan, our reporter only saw one salesroom from Guangzhou, for the educated youth farm of the Yuzhu lumber yard. Upon inquiring, he found that this salesroom does not actually belong to Guangzhou Municipality, but is under the management of the provincial Forestry Department. In their briefing, comrades of Zhuhai Municipality said that Beijing's Chinese medicine trades and the renowned Quanjude Beijing Duck Restaurant are preparing to set up stores in Gongbei with all of the merchandise as well as the raw materials and materials for preparation being shipped directly from Beijing. Before long a roast duck branch may be operating, but our reporter heard no reports in Zhuhai of Guangzhou Municipality making similar plans. People commented that our comrades in Beijing could see the 14,000 Chinese and foreign visitors now entering Gongbei daily from Macao and have come from far away to set up stores to sell Chinese medicine and roast duck, so why is it impossible for Guangzhou which is close at hand to come here and set up stores and restaurants to sell Chinese medicines and Guangdong chicken specialties such as Wenchang chicken, cuiqi [crispy skin] chicken, yanju [salt baked] chicken or Taiye chicken? Why can't some renowned restaurants from Guangdong, Hong Kong or Macao set up a branch in Zhuhai?

11723

CSO: 4006/68

## FOREIGN TRADE

### BRIEFS

**GUANGDONG FOREIGN TRADE**--By the end of October, the Guangdong provincial foreign trade system had fulfilled its quotas for procuring and exporting products. The amount of products procured in this period for export was an increase of 13.2 percent over the same period last year. The amount of foreign currency income derived from exports increased by some 20 percent. The quantity of goods exported to Hong Kong and Macao increased by 27.4 percent. [HK140820 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 11 Nov 81 HK]

**SHANDONG PIG IRON EXPORTS**--Pig iron produced by Shandong Province has made inroads into the international markets and earned large amounts of foreign exchange for the state. Pig iron was until recently not listed as an export item. Since the beginning of this year, the Shandong metals and minerals import and export corporation has made vigorous efforts to promote pig iron exports. By the end of October, the corporation had exported 40,000 tons of pig iron to Japan, Hong Kong, Malaysia and other areas or countries. [SK182230 Jinan Shandong Provincial Service in Mandarin 2300 GMT 17 Nov 81 SK]

**TOURISTS IN SHANGHAI**--Beijing, 8 Nov (XINHUA)--Shanghai received to total of 217,900 foreign and overseas Chinese tourists in the first ten months of this year, 25.92 percent more than in the same 1980 period, according to the CHINA FINANCE AND TRADE JOURNAL. The total income in foreign exchange that the city earned from tourism in the January-September period was equivalent to 115.3 million yuan (RMB), 30.6 percent up compared to the corresponding 1980 figure, said the Beijing-based journal. The annual rate of increase over the past three years in the number of tourists that Shanghai has received is greater than the average rate for the world, the journal said. Deputy Mayor Han Zheyi said last week that Shanghai is determined to expand tourism taking advantage of its favourable conditions, including a fairly developed industry and relatively sufficient accommodation facilities. [Excerpt] [OW100813 Beijing XINHUA in English 0254 GMT 9 Nov 81 OW]

**SHAANXI PROMOTES EXPORTS**--At the 50th Chinese Export Commodity Fair in Guangzhou, many transactions for Shaanxi Province's exported goods were concluded. By 10 November, transactions for 14 million dollars worth of this province's exported goods had been concluded. This amount exceeded the total amount of this province's goods exported at last fall's Guangzhou fair. These exported goods included cashmere, melon seeds, cotton yarn, red beans, knitwear, minerals and light industrial products. [Xian Shaanxi Provincial Service in Mandarin 0500 GMT 15 Nov 81]



GUANGDONG FOREIGN TRADE--Guangdong scored good results in foreign trade. By the end of October, the province had already fulfilled 102.2 percent of the year's quota, which is 19.17 percent up on the same period last year. Guangzhou, Huiyang, Foshan, Zhaoqing, Zhanjiang, Hainan, Shenzhen and Zhuhai have all fulfilled export quotas ahead of schedule. The processing industry using imported materials has increased by 62.6 percent over the same period last year. Compensation trade has increased by 191.4 percent over the same period last year. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 18 Nov 81 HK]

CSO: 4005/144

## LABOR AND WAGES

### BRIEFS

SICHUAN EMPLOYMENT TASK--The labor departments of all localities in Sichuan Province have scored good results in arranging jobs by integrating the policies of having the labor departments assigning people to certain posts, having the individuals organizing themselves to run collectives and having the individuals set up self-employed businesses. From January to October this year, jobs have been arranged for some 190,000 people. In some localities and counties, people who were unemployed since 1979 have now been assigned jobs. This plays an important role in promoting social security and enlivening economy. In implementing the policy to arrange jobs, all localities have focused on encouraging the unemployed youths to organize themselves to run collective businesses. At the same time, they are encouraged to seek jobs themselves and set up self-employed businesses. [HK271252 Changdu Sichuan Provincial Service in Mandarin 2300 GMT 25 Nov 81 HK]

CSO: 4006/147

## TRANSPORTATION

### BRIEFS

FUJIAN AIRPORT EXPANSION--The Fuzhou airport expansion project is making good progress. The project, including extension of the runway, taxiways and so forth, involves pouring 58,000 cubic meters of concrete and 98,000 cubic meters of earthwork. The project is scheduled for completion before 1 May 1982. [OW091027 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 7 Nov 81 OW]

SICHUAN PASSENGER TRANSPORT--Since the beginning of this year, shipping departments in Sichuan Province have done well in developing industrial and agricultural production, urban and rural trade and tourism. They have vigorously done well in passenger transport. Eighty-four state and collective shipping enterprises in 12 prefectures and municipalities, including Leshan, Yibin, Nanchong, Yongchuan, Daxian, Fuling, Wanxian, Mianyang, Neijiang and Chongqing, in the province are engaged in passenger transport. They have 234 passenger ships, which sail on 26 large and small rivers, including the Changjiang, Jinshajiang, Jialingjiang, Minjiang, Tuojiang and Daninghe. These ships transport about 80,000 passengers every day. From January to October this year, these ships transported some 28.6 million passengers, 112 percent of the passenger transport quota for 1981. The province overfulfilled its passenger transport quota for this year 2 months ahead of schedule. [HK250927 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Nov 81 HK]

LIAONING AVIATION PERSONNEL--On 9 November 1949, about 3,000 personnel of the former China Air Lines and Central Air Lines under the Kuomintang revolted in Hong Kong. Some of them flew 12 planes to new China. In the past 30 years, these personnel coming to our country have studied and worked diligently under the leadership of the party and have made due contributions to the socialist revolution and construction. Some have become engineers, accountants and communist party members. On the morning of 23 November, the Shenyang Civil Aviation Administrative Bureau held a meeting to issue certificates to 11 persons to identify them as personnel who revolted in Hong Kong and crossed over to China in 1949. Attending the meeting were Zhu Chuan, Standing Committee member of the provincial CCP committee and deputy governor of the province; Fang Ming, vice chairman of the provincial CPPCC committee; and (Liu Xingkuai), deputy director of the united front work department of the provincial CCP committee. [SK240538 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 23 Nov 81 SK]

CSO: 4006/147

## GENERAL

### EXPERIMENTS IN ECONOMIC RESPONSIBILITY SYSTEM REPORTED

Beijing ZHONGGUO CAIMAO BAO in Chinese 29 Sep 81 p 3

[Article by Wan Dianwu [8001 0368 2976] and Zhang Caiqing [1728 6846 1987]: "Results Remarkable; More Active Guidance Needed--Investigative Report on Experiments in System of Management Responsibility Among Liaoning Provincial Commercial Departments"]

[Text] Editorial note: Adopting a system of management responsibility in commerce is a great event which must be actively and yet cautiously dealt with in the spirit of "subjecting everything to a practical test." We will continue to publish articles and investigative reports [on this subject] for our readers' study and reference.

Adoption of the system of management responsibility by commercial departments is an important reform in commercial work. From May to July, the Liaoning Provincial Commercial Bureau conducted experiments in the system of responsibility for business management among its 2,676 affiliated units. Although the experimental period was very brief, and the system needs to be further improved, remarkable economic results have already been gained. This is a proof of the correctness of the reform.

1. The integration of authority, responsibility and benefits has aroused the enthusiasm of the enterprises and their workers in business management. In the past, the enterprises and workers practiced equalitarianism by "eating out of the same pot." Since the enforcement of the system of responsibility for business management, the passive position of the enterprises has been replaced by an active one, while the attitude of workers has turned from negative to positive. Both the enterprise and the workers outlook has changed markedly, and many longstanding problems have been rapidly solved. Previously, the cadres and workers chose only the easy jobs and avoided the hard ones. This practice is now rare, and the number of those taking sick leave or showing up only to loaf around is much reduced. Now, the workers are coming on duty early, leaving late, and working on Sundays. Even minor ailments do not keep them away from work. Many loafers have become hard workers, and the attendance rate has increased from 80 percent to approximately 95 percent. In June, 88 stores under the Dadong District Nonstaple Food Company of Shenyang dispatched 1,690 mobile vendor carts--the largest number of carts ever dispatched--[to serve the public]. The system of awarding a bonus in relation to the curtailment of expenses encouraged the workers to practice economy in running their stores. Such unhealthy tendencies as helping oneself to the stores' merchandise or causing

damage to store property have taken a healthy turn. In the past, the loss was only to the "public"; now all workers have to share the loss and therefore they supervise one another.

2. The state receives more revenue, the enterprise retains more profits, and the workers have a better income. Except for some isolated cases where the units' shares are too low and the workers' shares are too high, the vast majority of the experimental units have increased their profits by a wide margin and distributed more for the state and the enterprises than for the workers, so that all three parties are duly rewarded. The Fushun Municipal Nonstaple Food Company, for example, adopted the responsibility system among its 89 affiliated units in June. Compared with the preceding month, the profits handed over to the state increased from 46,000 yuan to 65,000 yuan; the retained profits increased from 10,000 to 25,000 yuan; and the profits shared by the workers and staff members increased from 20,000 to 35,000 yuan. The bonus received by each worker to staff member was increased from 8 yuan to 20.01 yuan. In July, the chain of food and drink stores in Shenhe District of Shenyang Municipality tried out the system of responsibility for sales to be undertaken by each group (and individual) whereby above-quota sales would be rewarded and failure to fulfill the quota would be punished. Compared with June, the volume of sales in July increased by 13.5 percent; the expenditures were reduced by 1.14 percent; and the profits increased from 2,580 to 5,320 yuan, at a rate of 106 percent. In the distribution of profits, the amount of tax increased by 131 percent; the enterprise accumulations increased by 106 percent; the share of workers and staff members increased by 104 percent, with the average individual share increased from 14 yuan to 28.55 yuan (including the pay for overtime and working on Sundays).

3. The expansion of sales was welcomed by the customers. In the experiment of the system of management responsibility among commercial departments, the volume of sales has become the main index with a direct bearing on the economic benefits for the state, the enterprises and the workers and staff members. For this reason, the workers and staff members generally try every possible way to overfulfill the sales targets by opening early, closing late, setting up a network of vendor stalls, dispatching itinerant sales teams, and adopting various methods to suit the convenience of customers as a means of boosting sales. Even though retail sales through other channels were increased, the sales of the units with responsibility for business management also increased by a wide margin instead of dropping. In June, the sales volume of 15 experimental units under the Fushun Municipality Food Company amounted to 275,300 yuan, a 39.4 percent increase over the amount before the experiment in May, when a loss of 458 yuan was sustained. Thus the experiment quickly turned the loss into a profit of 16,300 yuan. The increased sales of food and nonstaple food items and sundry goods eased the strain on supply in the market and helped satisfy the wants of the consumers.

4. It helps to overcome the bureaucratic style in commerce and to improve the quality of service by changing the workers' attitude toward work. In view of the competition on the market, there is the need to improve the work style in order to win over the customers. Since adopting the system of responsibility, many units have begun to pay attention to the quality of goods, to prolong their hours of operation, to increase the varieties of their goods, to set up more vendor stalls, to dispatch more push carts for door-to-door deliveries, and to offer other services as they once did. In the past, the Talian Nonstaple Food Store and the Beancurd



Processing Factory of Fushun Municipality were unwilling to sell their goods in the early morning. Now their workers are starting out at 4 o'clock in the morning to peddle their wares along the streets and small lanes. Nearly all experimental units have prolonged their operation hours, and the masses are praising them as "bureaucratic stores" turned "convenience stores." The attitude of commercial workers toward the customers has also been greatly improved. Cold receptions from these workers have diminished, while wranglings followed by the exchange of blows are now practically nonexistent.

Practice of the system of management responsibility has given rise to many new problems concerning cadres, labor, wages, fringe benefits, planning, finance and even the commercial system as a whole. In the case of Liaoning, the following problems in particular should be noted and carefully handled:

1. Political and ideological work must be stepped up in the practice of the management responsibility system. This system however should not be regarded as a solution to all problems, and it is necessary to guard against the tendency toward "obsession with money," and the "one-track mind" with "profit as the primary concern." Besides endeavoring to attend to the interests of the state, the collective and the individuals, we should also encourage all the cadres and workers to cultivate the overall and mass concepts, to oppose the capitalist business style of being concerned only with profits, to overcome departmentalism and individualism, and to refrain from violating state policies to the detriment of mass interests. In active collaboration with the financial departments, they should safeguard state taxes and profits and also protect the interests of the customers. An important new problem is about the way to protect the customers' interests with regard to the quantity, quality and prices of goods, the sanitary conditions, and the quality of services. As a means of circulation, commerce has a direct link with millions upon millions of people. Thus it must be guided by government policies and planning, and be carried out with a sense of responsibility to the people and in the consumers' interests. If it fails to meet these requirements, there cannot be any socialist commerce to speak of.

2. In practicing the responsibility system, different forms must be adopted according to different trades, different enterprises and different conditions. There cannot be a single solution to all problems, and should not be any mass action taken on the spur of the moment. The food trade carried out both production and marketing and its business volume is so small that it generally involves no major issues. Large retail stores and specialty stores deal with large transactions with high profits, but their work is complex and subject to restrictions from the source of material supplies. For the operation of these stores, there should be full preparations and cautious measures, while hasty action can easily lead down the wrong path. Vegetables, fruits and aquatic products are susceptible to seasonal changes. Because of their perishable nature and unstable yields, it is difficult to fully protect the consumers' interests. Therefore, continued research and summing up of experiences are necessary in determining the quotas, the ratios of profit sharing, and the measures to be adopted. If we rely on a single formula for the solution of all problems, or rush into large-scale action on the spur of the moment, we may commit grave errors and turn good into evil.

3. The relationship between the responsibility system and the various existing policies should be carefully handled. Adoption of the responsibility system neces-

sarily calls for the revision of many existing policies, systems and regulations. At present, the workers and staff members of enterprises under the responsibility system are demanding the abolition of central stores, the change of managers and the regrouping of work teams on a voluntary basis. Besides rejecting the plans passed down level by level for yearly production increases, they also demand greater flexibility in pricing and revision of the rules restricting the bonus awards, medical expenses, retirement benefits and so forth, which involve many important policies. In addition to approval by higher authorities for the enterprises and workers to conduct these experiments, there should also be a cautious approach and a timely summing up of experiences in order to determine the pros and cons of these new methods. Popularization should be carried out selectively, and if any serious mistake is detected, the enterprises and workers should be convinced of the need for prompt remedy. The total share of profits of the workers should be divided among them according to the principle of more pay for more work, and not in any crooked way. We should also be mindful of the feelings of those all around us. If the above-quota reward is too large, we should increase the public accumulation instead of dividing it all among the individuals.

4. There should be a program of rotational training for the cadres, workers and staff members. At present, there are too many cadres, workers and staff members on the one hand, and on the other hand, the management level is too low. There are also many young workers who lack even rudimentary vocational knowledge. In practicing the system of management responsibility, the basic level enterprises should first have a fairly good leading body, and the political and vocation levels of their workers and staff members should be raised a great deal. Therefore, it is necessary energetically to launch a program of rotational training for cadres, workers and staff members. There should be coordinated training programs inside and outside the enterprise, with greater stress on the former. Every effort should be made to provide facilities for more training classes of 3 or 5 months' duration to be held for cadres, workers, new workers and the professional personnel. Particular attention should be paid to the training of cadres and the consolidation of their ranks. The enterprises experimenting with the system of management responsibility should have fairly strong leading bodies. If they are soft, lazy and lax, it will be hard to make this important reform a success.

9411

CSO: 4006/59

## GENERAL

### GUANGZHOU HOLDS ADVERTISING FORUM

Guangzhou GUANGZHOU RIBAO in Chinese 7 Oct 81 p 1

[Article by Lu Yongjiang [7120 3057 3068]: "Industrial Enterprises Should Count Advertising Expenses as a Part of Production Cost"]

[Text] "Industrial enterprises should count advertising expenses as a part of production costs." This demand was made yesterday evening by a leading comrade of the municipal economic commission at the Guangzhou Municipal Economic Advertising Work Forum in discussing the deployments for developing advertising in the economy.

The Guangzhou Municipal Economic Advertising Work Forum was jointly convened by the Guangzhou Municipal Economic Commission, the Guangzhou Municipal Advertising Company, Guangdong People's Radio Station, Guangdong Television Station, NANFANG RIBAO, YANGCHENG WANBAO and GUANGZHOU RIBAO. Participating were over 400 pertinent personnel from various industrial bureaus, districts and counties as well as industrial companies and enterprises. At the forum, the advertising company and the advertising departments of the various news organizations gave introductions on the nature and role of advertising publicity, the municipal pharmaceutical industry bureau presented its results in developing economically-oriented advertising, and the municipal economic commission made arrangements for future economically-oriented advertising work.

The forum opined that market competition is becoming ever keener. Some commodities formerly in short supply have begun to be available in unlimited quantities, even leading progressively to excess inventories. Relying in the past on sales personnel to market commodities was too narrow in scope, took too long and had an inadequate payoff. It also ran up costs. Therefore, industrial enterprises should make thorough use of various channels and multiple media such as the newspapers, radio broadcasts and television as well as street signs, display windows, neon lights, slide shows, lanterns, motorized vehicles and streetcars to develop advertising publicity for industrial products and strengthen the competitive power of their products. This

would help promote production, provide direction to consumption and forge links between production and sales.

At the forum it was pointed out that not all of the leaders at various levels have the same level of understanding of the development of advertising publicity by industrial enterprises. For example, some feel that there is no need to advertise products which are selling well and that advertising is only for products whose sales are lagging. Others feel that advertising costs are too large and are not rational economically. For these and other reasons, economically-oriented advertising is well behind the level of market competition. According to incomplete statistics, last year the advertising expenditures of Guangzhou's industrial enterprises was not even 0.01 percent of the municipality's total industrial output value. Last year only 35 percent of its Guangzhou customers continued advertising with the advertising company. Many enterprises have not entered advertising into their daily agenda. Over the past several years, an increasing number of advertising customers have come to Guangzhou from outside and commodities from elsewhere have made progressive inroads into the Guangzhou market. This situation must be of great concern to the leaders of our municipality's enterprises.

At the forum, the municipal pharmaceutical industry bureau, which has long paid serious attention to product advertising, reported that the 18 enterprises in its system spent 1 million yuan on advertising last year and plans to spend 1.6 million yuan this year, about 0.58 percent of total output value. The advertising outlay is not large, but the economic results are marked. For example, after advertising publicity was stepped up on Qianbai [Thousand Cypress] rhinitis tablets, a new product of the No 5 Chinese medicine plant, over 6,000 letters and orders came in from outside requesting to buy the medicine. Jiere zhitong san [6043 3583 2972 4027 2414: fever and pain relief powder], an old product of the Hejigong pharmaceuticals plant, has been in great demand nationwide since it was advertised.

A leading comrade of the municipal economic commission set forth the following demands at the forum for future development of economically-oriented advertising by our industrial enterprises: One, we must thoroughly utilize advertising publicity measures, advertise ordinary products and advertise famous-name products which have been awarded gold or silver seals as well. Two, operational departments at all levels must set up specific organs or full-time cadres to be responsible for product advertising publicity planning. Three, advertising expenditures are to be entered into production outlay plans. Four, advertising methods still need to be improved. We should strive to work together with the sports departments and literature and art groups to do this work well. Five, advertising should seek truth from facts and oppose misrepresentation or falsehood.

11728

CSO: 4006/68



## GENERAL

### BRIEFS

XINJIANG PERSONNEL BUREAU MEETING--The Xinjiang Regional Personnel Bureau recently held a meeting to solve the problem of cadres and their spouses having to live in two separate places. Personnel bureaus at all levels in the province have tried hard to solve the problem of cadres and their spouses having to live in two separate places since the 3d plenary session of the 11th CCP Central Committee. Over the past 2 years, the region has helped some 2,150 couples to live together again. This meeting summed up the region's achievements in helping couples to live together again and made arrangements for future work in the new situation. In conclusion, the meeting demanded that responsible comrades at all levels seriously grasp this task. [HK101346 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 5 Nov 81 HK]

SHAANXI MODEL WORKERS RALLY--The Shaanxi provincial people's government recently issued a circular on the decision to hold a rally in March 1982 to commend advanced enterprises and model workers. This rally will commend advanced enterprises which are owned by the whole people or by collectives and model workers on the fronts of industry, communications, capital construction, agriculture, forestry, finance, trade, scientific research, culture, education, public health and tourism. The provincial people's government will confer the title of "Shaanxi provincial advanced enterprise" on the advanced enterprises and award citations to them. The provincial people's government will confer the title of "Shaanxi provincial model workers" on the model workers and award honorary certificates and badges to them. [HK140710 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 10 Nov 81 HK]

BELJING CIRCULAR BANNING MALPRACTICES--The Beijing Municipal People's Government recently issued a circular strictly prohibiting construction enterprises from privately and indiscriminately employing peasants from other places and from carrying out unlawful activities. Recently, contrary to the state regulations, some construction enterprises in this municipality privately and indiscriminately employed peasants from other places to do construction work, sought profits by subcontracting projects to others and reaped staggering profits by speculation, profiteering and other illegal methods like signing contracts on behalf of others. Some people offered and received bribes. Investigation revealed that the number of peasants various enterprises have illegally and privately employed



from other places is more than 40,000. The circular reiterated that construction teams from other places must obtain the approval of the State Capital Construction Commission or the Beijing Municipal Construction Committee before they do construction work in the municipality. No unit is allowed to privately employ peasants or construction units from other places. All construction teams which have come to Beijing with approval must leave the municipality after they have completed the projects. The peasants and construction teams which have come from other places without approval must quickly leave the municipality after the phase of the project on which they are employed has been completed. They are not allowed to begin a new project. [HK101333 Beijing City Service in Mandarin 2300 GMT 1 Nov 81 HK]

HENAN FINANCE CONFERENCE--The Henan Provincial Finance Committee recently held a conference of the chairmen of all prefectural and municipal finance committees. The conference seriously looked into and analyzed the new situation and new problems of this province's financial and trade work. The conference also formulated the feasible measures to do financial and trade work well. Li Qingwei, provincial CCP committee secretary and vice governor; and Wang Bingzhang, provincial CCP committee Standing Committee member, attended and spoke. In his speech, Li Qingwei emphatically pointed out that it is necessary to arrange the markets well and do well in procuring agricultural produce, grain, cotton, oil, hemp, pigs and other native products and in market supplies of industrial products and consumer goods, such as bicycles, sewing machines, watches, cigarettes and beer. It is also necessary to protect local industrial products. [HK030410 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 15 Oct 81 HK]

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